

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0585-01
Bill No.: SB 179
Subject: Housing, Insurance - Property, Insurance Dept.
Type: Original
Date: January 24, 2003

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Total Estimated Net Effect on <u>All</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 4 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS
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FUND AFFECTED	FY 2004	FY 2005	FY 2006
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Insurance (INS)** state a number of the requirements in this proposal deal with obligations and responsibilities of the insurance producer (agent). Officials state it will be difficult to enforce these obligations and responsibilities as they pertain to the interactions between the producer and prospective applicants (e.g. Refusal by an agent to give a person an application or to submit an application to the company will be a violation.) This will likely increase the number of complaints against agents received by INS's investigations section. Any time new mandates are issued, complaints increase until the public, insurers and agents are educated on the changes in law.

The proposal is also likely to increase misinterpretation of the exclusions and the applicability of the exclusion to the cause of a claim, thereby increasing complaints to the INS. The proposal could create a large variance in covered perils from policy to policy and people will not know or understand what kind of coverage they have or the risks for which they are insured. This could also result in increased complaints and inquires to the INS.

The INS is unable to estimate the number of additional complaints and investigations that will result from implementation of this proposal. Each Consumer Service Representative averages 370 complaint investigations annually and handles an average 2,700 telephone inquires. If complaints and inquires ASSUMPTION (continued)

reach or exceed the level current consumer service representative staff can handle, additional staff will be needed. A request for additional resources would be based on the workload assumptions provided above.

<u>FISCAL IMPACT - State Government</u>	FY 2004 (10 Mo.)	FY 2005	FY 2006
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2004 (10 Mo.)	FY 2005	FY 2006
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

The proposal could result in additional income to small insurance companies required to issue insurance policies to property owners. In addition, the proposal could result in losses to small insurance companies depending on the number of claims filed by property owners.

DESCRIPTION

This proposal prohibits an insurer from refusing to insure an eligible person's interest in residential property. The proposal requires insurance agents to provide prospective insureds accurate premium quotations for their property and obligates the agent to submit the insured's application for insurance to the insurer. The insurer must explain to each prospective insured why it is canceling or refusing to renew a policy. An insurer can not penalize an individual agent because of the geographic location of the business written by the agent.

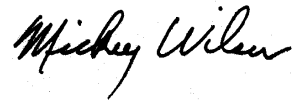
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Insurance

HW-C:LR:OD (12/02)

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A handwritten signature in black ink, reading "Mickey Wilson". The signature is written in a cursive style with a large, stylized "M" and "W".

Mickey Wilson, CPA
Director
January 24, 2003